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Fish and Seafood Production and Trade Update

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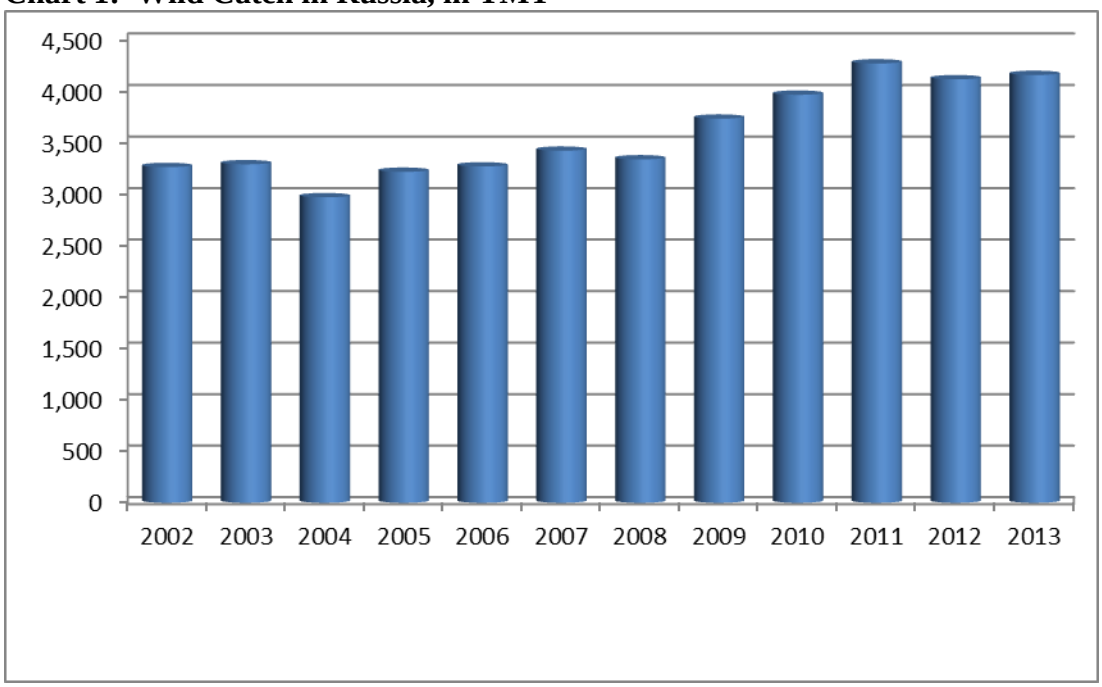
Report Highlights:
According to the Russian Center of Fish Monitoring at the Federal Fishery Agency (Rosrybolovstvo), Russia's wild catch in 2013 was relatively stable at 4.15 MMT, compared to 4.11 MMT in 2012. However, despite overall production, there were significant shifts by species. Cod and herring production, for example, as up 54 percent and 60 percent respectively, while salmon production was down 20 percent. Trade in wild sturgeon or black caviar caught from wild sturgeon continues to be banned in Russia. As a result, projects are underway to increase the amount of farmed sturgeon and caviar.

Production

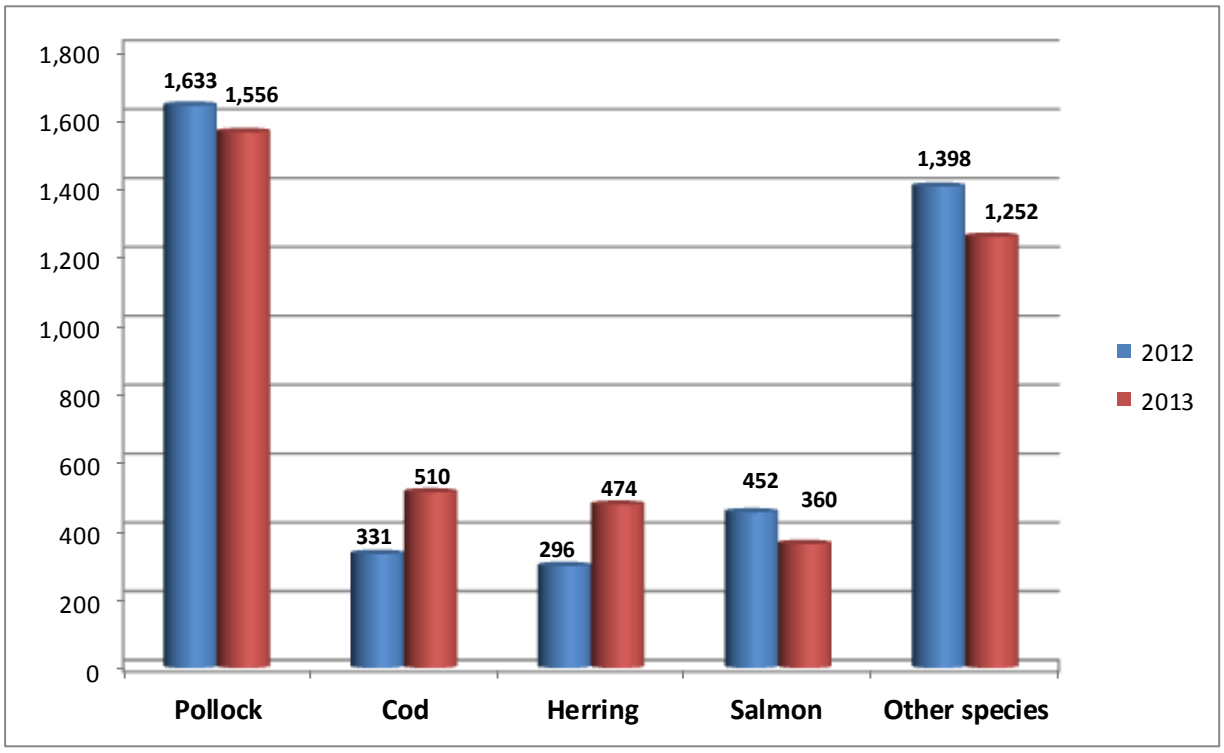
According to the Russian Center of Fish Monitoring at the Federal Fishery Agency (Rosrybolovstvo), Russia's wild catch in 2013 was relatively stable at 4.15 MMT, compared to 4.11 MMT in 2012. However, despite overall production, there were significant shifts by species. Cod and herring production, for example, as up 54 percent and 60 percent respectively, while salmon production was down 20 percent.

Chart 1: Wild Catch in Russia, in TMT



Source: Federal Fishery Agency – Preliminary Data for 2013

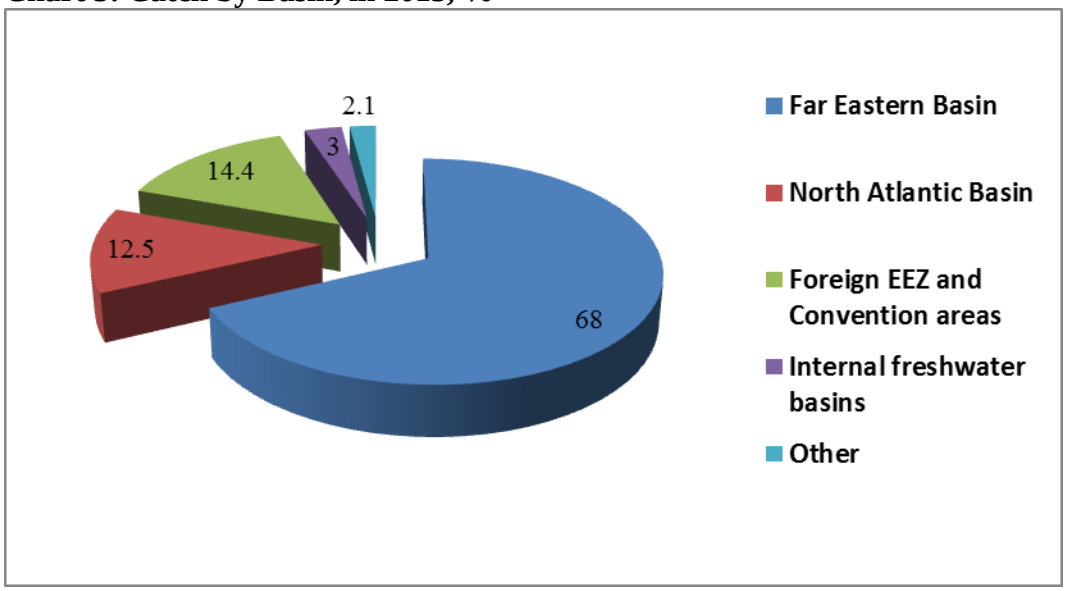
Chart 2: **Catch by Major Species, 2012-2013, in TMT**



In addition to differences in species caught, there were also variations by areas in

2013. For example:
---In the Far Eastern Basin, Russian fishermen harvested 2.805 million MT of fish and seafood, which is 81,500 MT lower than 2012. The reason for the shrinking catch is attributed to a drop in the catch of salmon, and a decrease in total allowable catch for pollock in the Okhotsk Sea, Bering Sea and in the Sea of Japan.
--In the Northern Basin, the total catch is estimated at 605,400 MT in 2013, or 40,300 MT higher than in 2012. The increase is due to larger catches of cod and haddock.
--In the Baltic Sea, the fish catch is slightly down in 2013 and it is estimated at 40,100 MT, as a result of a decrease in the catch of sprat and Baltic herring.
--Improved weather conditions in the beginning of the year caused an increase in the catch in the Azov, Black and Caspian seas in 2013. Fishermen caught 29,900 MT of fish and other seafood in the Azov and Black seas in 2013, up three percent from the same period in 2012. The total harvest in Caspian basin was 39,600 MT in 2013, or 4,400 MT higher than that in 2012. The catch increased due to a 1,100 MT rise in the catch of sprat.
--Rosrybolovstvo also reported that Russian fishermen caught 443,900 MT of fish in other countries' zones in 2013, an increase of 69,300 MT compared to 2012; in regions governed by convention. On the open high seas in 2013, the catch was up 21.5 percent versus 2012 and reached 170,700 MT.

Chart 3: Catch by Basin, in 2013, %



Source: Federal Fishery Agency

The main species of the Russian wild catch consists of pollack (35-40 percent of total catch). Atlantic and Pacific cod is second in volume with 12 percent of the total, followed by herring with 11 percent. Salmon makes up nine percent of Russian wild catch, but this species is very important due to its high value. Other important catches include mackerel, capelin, Pacific saury, halibuts, haddock and crabs (equating to 23 percent).

Total Allowable Catch (TAC) for 2014

The Russian government sets the total allowable catch (TAC) levels for fish and seafood annually. The Ministry of Agriculture of the Russian Federation approved TAC levels for 2014 by its Order #403 issued on November 5, 2013. With this order the Ministry set TAC for all seas, rivers, lakes and other reservoirs throughout Russia. Distribution by main fish species caught in major fishery basins and seas are provided in the table below. In general, the TAC for most species has been relatively stable from year to year, although some species have seen significant fluctuations. For example, total decline in the TAC for Pacific herring in the Far East Basin is down 40 percent as a result of fluctuations in stock. The total TAC for cod will decrease slightly, and the total TAC for pollock will see a drop of 3 percent in 2014. Russian TACs for different types of crab have stabilized with larger increases in TAC for Kamchatka crab from 6,000 MT to 6,500 MT in the Barents Sea and in the Okhotsk Sea from 1,000 MT to 6,200 MT as a result of a restored population and stronger enforcement to combat poaching, as well as more detailed scientific research and collaboration.

Far Eastern Fishery Basin (TAC levels for major species in Western Bering Sea Zone and Eastern Kamchatka Zone), in thousand MT (Source is Ministry of Agriculture)

	2012	2013	2014
Pollock	765	740	730
Pacific Herring	23	133	81
Cod	74	81	93
Far Eastern Flounder	21	20	20
Black Halibut	2	2	2
Pacific Halibut	3	4	4
Greenling	89	73	75
Rockfish	5	5	5
Far Eastern Cod	16	15	15
King Crab	<1	<1	<1
Blue Crab	1	1	2
Golden King Crab	1	1	1
Snow Crab Opilio	3	2	2
Tanner Crab	1	1	1
Squid	85	95	95

TAC Levels for Barents Sea (in Thousand MT)

	2012	2013	2014
King (Kamchatka crab)	4	6	6.5

TAC Levels for Okhotsk Sea (in Thousand MT)

	2012	2013	2014
Pollock	959	920	885
Pacific Herring	293	259	275
Cod	20	29	20
Far Eastern Flounder	55	46	49
Black Halibut	13	13	12
Pacific Halibut	1	1	1
Far Eastern Cod	18	13	13
King Crab	1	1	6.2
Blue Crab	2	3	4
Golden King Crab	3	3	2.2
Snow Crab Opilio	12	12	12
Tanner Crab	1	2	2
Northern Shrimp	7	5	4

TAC Levels for Sea of Japan (in Thousand MT)

	2012	2013	2014
Pollock	38	24	14
Pacific Herring	<1	<1	1.5
Cod	7	7	2.5
King Crab	1	2	2
Blue Crab	1	2	2
Spiny crab	1	1	1
Snow Crab Opilio	<1	11	10
Tanner Crab	14	13	14
Northern Shrimp	22	8	7
Pacific Squid	0	<1	<1
Sea Urchin	2	2	1

TAC Levels for Chukotsk Sea (in Thousand MT)

	2012	2013	2014
Pollock	5	6	5
Pacific Herring	<1	<1	<1
Cod	7	7	7

TAC Levels for Pacific Salmon in Exclusive Economic Zone (in Thousand MT)

	2012	2013	2014
Pacific Salmon (pink	23	23	23

salmon, sockeye, coho, chum, Chinook)			

Consumption

According to the Federal Fishery Agency, annual per capita fish and seafood consumption in 2013 is estimated at 22 kilograms, about the same level as in 2012. As a result of the initiatives of the Russian government in the regulation of the sector, and efforts to increase aquaculture production, per capita consumption of fish and seafood in Russia is forecast to reach 28 kg by 2020. Fish consumption patterns will continue to depend heavily on household incomes, prices, and preferences within the population. Consumption preferences of the Russian population have been stable over the last years and include herring, Pollock, mackerel, salmon and trout. Frozen fish is also traditionally popular in Russia. Higher imports of chilled fish and ready to eat products are due to changes in eating habits, increased consumer demand, and economic recovery.

The Federal Fishery Agency reports that retail consumer prices for fish and seafood in 2013 rose by 7.5 percent in comparison with 2012. The major increase in prices have been seen in smoked and salted fish and seafood (7.5 percent), followed by frozen whole eviscerated fish (4.7 percent) and non-eviscerated frozen fish (3.4 percent). Despite the price increase, retail sales by volume of fish and seafood grew 4 percent in 2013, especially in the fall and winter seasons, due to ongoing strong consumer demand.

Trade

Imports

During CY2013, Russia's imports of fish and fish products reached almost $3.0 billion, a 16 percent increase from 2012. Norway remains the largest supplier of fish products to Russia, with exports of $1.1 billion in 2013 (38 percent market share), followed by China with $326.7 million (11 percent), Chile with $273.2 million (9.2 percent) and Iceland with $172.2 million (5.8 percent).

Fish and seafood imports from the United States rebounded significantly in 2013 and reached a record $77 million, double the level of 2012. The increase in imports from the United States is mostly attributed to higher imports of salmon roe due to better than expected harvest of salmon in Alaska. Salmon roe imports from the United States reached $33.4 million in 2013, accounting for a market share of 43 percent share of all fish and seafood imports from the United States. (For more information on salmon roe production and trade please refer to GAIN report *Far East Salmon Catch Down Again_Moscow_Russian Federation_10-29-2013*).

Currently, 186 U.S. fishery facilities are on the approved list of the Russian Veterinary Agency for shipping fish products to Russia (For list please see: http://www.fsvps.ru/fsvps/importExport/usa/enterprises.html?productType=7). In addition to salmon roe, the other major fish species imported from the United States to Russia include: Alaska Pollock, Frozen (HS30494), with a market share of 16 percent or $12.5 million, frozen hake (HTS 030366),

equating to 11.5 percent of U.S. fish and seafood trade to Russia, followed by Fish meat, Frozen (HS030499) with 4.6 percent share. The importation of high value seafood, such as cold-water shrimps and prawns, live lobsters and cuttle fish has also significantly increased, due to consumer preference and rising incomes.

The outlook for imports of fish and fish products from the United States is positive due to strong demand for salmon and salmon roe, frozen fish for further processing, and other premium categories of fish and seafood, primarily for HRI sector.

Exports

Total Russian exports of fish and seafood in 2013 totaled $2.6 billion, nearly 10 percent higher than 2012. In 2013, Russia's primary seafood export markets were concentrated in East Asia, with exports to South Korea totaling $1 billion (41 percent), China $898.0 million (34 percent) export), and $281.5 million to Japan (11 percent).

Frozen Alaska pollock (HS030367) accounted for 36 percent of total export share in value, followed by frozen fish livers and roes (HS030390) with 11 percent, frozen crabs, including in shell (HS030614) with 9 percent, and frozen herring (HS030351) with 7 percent. Industry experts report that due to the underdevelopment of the fish processing sector in Russia, some of the fish that is exported to China is reimported later into Russia as a processed product.

In 2013, Russia reported exporting about $3.2 million worth of fish and seafood to the United States, 10 percent lower than 2012. However, this low amount is because much Russian fish and seafood is transshipped through Asian countries and so is not classified by Russian Customs as going to the United States. U.S. Customs import statistics show much larger amounts from Russia, and in 2013 U.S. imports of fish and seafood from Russia were valued at $327 million, primarily crab.

Government Policy and Regulation

In 2013, the Federal Program for the "Development of the Fishery Industry until 2020" was approved. Budget funding required for program implementation is set at 88,446 million rubles. The government also worked out a set of measures for the fishing industry, as well as drafts of resolutions of the Government (№ № 1181 and 1182), providing for the extension into 2014 of subsidized loans on investment credits aimed at modernizing existing, and the construction of new, processing and logistics infrastructure as well as the construction and renovation of fishing vessels.
http://www.mcx.ru/documents/document/show/24302..htm
Other recent regulatory efforts as reported by the Ministry of Agriculture included:

-- A draft concept of the Federal Target Program "Increasing efficiency and development of the resource potential of fishery industry in 2015-2020" was submitted to the government and is pending approval. The program includes the design and construction of research and rescue and patrol vessels, the construction of port and logistics infrastructure, the creation of facilities for reproduction and conservation of water and biological resources, provisions on communications and navigational safety, and other programs. http://mcx.ru/news/news/show/19257.355.htm

-- Industry analysts report that the most important result of the legal work in 2013 was the adoption of the Federal Law "On Aquaculture." The preparation of normative legal acts necessary for its implementation includes five draft decisions of the Government and 18 orders of the Russian Ministry of Agriculture. The Ministry reports that the most important task for 2014 for the sector is the adoption of these decisions. Law aims at improvement of the legislation in terms of developing fish breeding farms through the provision of land and water usage; preserving domestic marine biological resources; processing value-added fish products on domestic coastal facilities (http://www.rg.ru/2013/07/05/akvakultura-dok.html). Thus in implementation of the Federal Law, on February 12th, 2014, the Russian government passed Decree #99 that stipulates the rules and order for aquaculture production. Tis decree provides more transparent rules for implementing aquaculture of water bioresources, including rare and endangered species.
http://www.mcx.ru/documents/file_document/show/26609..htm

--A regulation, Government Order issued on July 14, 2013, # 1196 –p, was approved which bans processing catch on vessels and overloading onto other vessels for costal fishing.
http://www.mcx.ru/documents/file_document/v7_show/24343.285.htm

--Also in 2013, the Ministry of Agriculture issued orders on the distribution of total allowable catches of live aquatic resources, a limitation in some fishing areas to prevent overfishing, an order for reviewing applications for catch by indigenous people and ethnic groups, and new fishing regulations for all 8 fishery basins. http://mcx.ru/documents/file_document/v7_show/25575.285.htm

--Draft resolutions were also submitted to the Government of the Russian Federation on various issues including combating poaching, banning the disposal of living aquatic resources when implementing research and monitoring catches, simplifying rules for fishing management and restrictions and on recreational fisheries.

--In addition, a draft regulation "On recreational fisheries" was adopted by the State Duma in the first reading on December 10, 2013. http://www.rg.ru/2013/01/14/rybalka-site-dok.html

--On December 25th, 2013, the government adopted Resolution #2534-p "On Approving Action Plan Aimed at Combatting Illegal, Unreported and Unregulated Catch". The Action Plan stipulates a set of measures aimed at eradication conditions that facilitate illegal catch, including:

- Analyzing regulation on compliance with the International norms and working out proposals to the GOR for its improvement;
- Regulating the order of chartering of fishing vessels; inspecting vessels that sail under the foreign flag in Russian marine ports; labeling fishing vessels and catching equipment.
- Introducing tracking system for the origin of all fish and seafood catches at all stages;
- Introducing electronic vessel notebooks and use of captain's electronic signature.

http://government.ru/dep_news/9386

In 2013, there was no change to the quota allocation system for wild catch. Starting from August 2008, quotas are allocated for the period of ten years based on Fishery Register data on the volume of aquatic bioresources caught by such persons or organizations during the previous four years. Recently, a special interagency working group has been created by the Russian Government to include fishermen, representatives from law enforcement bodies, and experts from the Ministry of Agriculture and

Rosrybolovstvo. The objective of the working group is to work out amendments aimed to improve mechanisms of quota distribution system. The next distribution will take place in 2018. According to the Ministry of Agriculture, the quota validity will remain 10 years.

Focus on Sturgeon Sector

Since 1998, international trade in all species of sturgeons has been regulated under CITES to prevent over-exploitation of stocks. All sturgeon and derivatives that enter international trade require the issuance of CITES permits. The system allows for the regulation of trade and to trace the source of any shipment. Scientists and analysts continue to raise concerns about sturgeon depopulation in the Caspian Sea, a wild source of black caviar. Experts believe that sturgeon population in the Caspian Sea has declined by 90 percent between 1995-2005 as a result of rampant poaching and unregulated trade of black caviar. According to CITES, the number of sturgeon in the Caspian Sea decreased from 200 million in 2000 to 60 million in 2008. Since 2002, Russia declared the situation critical and banned commercial fishing of beluga sturgeon in the Caspian Sea and Volga River delta. As of August 1, 2007, Russia also declared a 10-year moratorium on both wild sturgeon catch and trade in black caviar from wild sturgeon. Reportedly, Kazakhstan, Iran and Azerbaijan have supported the initiative.

Domestic Production and Outlook

There are no statistics on farmed sturgeon and caviar production in Russia. However, trade sources estimate annual total production of sturgeon meat at 2,000 MT and caviar around 20 MT, although trade sources also indicate that illegal trade of caviar could be more than 200 MT annually, and assert that this illegal trade impedes government objectives of restoring wild sturgeon populations in the next 10 years.

The Russian government set a goal to increase the number of sturgeon farms and significantly improve their technology throughout the country. However, revitalizing sturgeon stocks is difficult due to the amount of time a sturgeon requires to reach reproductive maturity. In hatcheries, it takes 8 to 14 years for sturgeon to be able to reproduce. In addition, most state –owned sturgeon-breeding facilities are in difficult conditions and would require substantial investment for upgrades.

The following constraints affect domestic production of sturgeon:

- Continued rampant poaching: It is estimated that the share of legally produced caviar on the market could be as low as only 10 percent;
- Misinformation presented in media that there is a total ban in trade of black caviar: Only caviar produced from wild catch is under restriction while caviar from aquaculture is free to be traded. This misinformation makes it more difficult for producers to sell legal, farmed caviar
- High cost of the product: Less than 1 percent of the population in Russia is estimated to be able to afford to purchase black caviar. The average price of 1 kg of black caviar in Moscow supermarkets can vary between 60,000 to 90,000 Rubles (US$2,000 to 3,000).

There are a total of 40 sturgeon breeding facilities in Russia. The largest producers are presented in the table below. Other large breeding facilities include JSC Smolenskrybkhoz" (Smolensk oblast), Rybotovarnaya Firm,"Diana" (Vologda oblast), Konakovo Sturgeon Breeding Facility (Tver oblast) and Company Yutas (Republic of Chuvashiya). Out of 40, facilities only 15 breeding facilities produce black caviar. The largest commercial producers of caviar are provided in the chart below.

Table. 1. Top-5 Sturgeon Producers in Russia

Name of the facility	Region	Annual production capacity, MT	Sturgeon species
Karmanovskiy Rybkhoz Ltd. http://www.bashfish.ru/about.html	Bashkiria	200	Siberian sturgeon and sterlet
Fishery Federation Ltd. http://www.fishrf.ru/index.html	Leningrad oblast	100	Russian sturgeon
JSC "Novopromysloviy rybokombinat" http://www.novochfish.ru/	Rostov oblast	80-100	Brood stock – about 700,000 heads (300 MT), including sterlet, stellate sturgeon, paddle fish bester, etc. total about 17 sturgeon species.
JSC "Volgorechensk Rybkhoz" http://volgariba.ru/index.php?lng=ru	Kostroma oblast	100	Sterlet, Siberian sturgeon, bester, etc.
Fishery reproduction facility "Raskat" (web-site N/A)	Astrakhan oblast	80	Beluga, Lena and Russian sturgeon and their hybrids

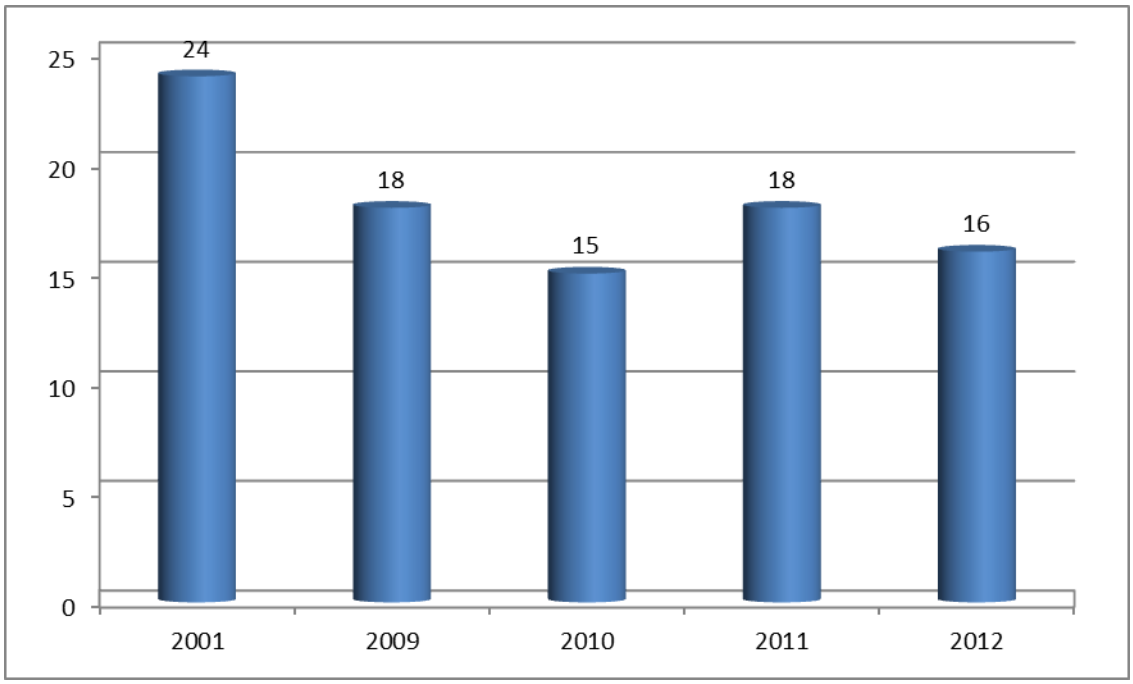
Source: AgriConsult Agency

Table 2. Top-5 Sturgeon Caviar Producers

Name of the facility	Region	Annual production, MT
Rybotovarnya Firm Diana Ltd. http://rtf-diana.ru/	Vologda oblast	10.5
APK "Beluga" Ltd	Astrakhan oblast	2
Fishery reproduction facility "Raskat"	Astrakhan oblast	1.2
Karmanovskiy Rybkhoz Ltd. http://www.bashfish.ru/about.html	Bashkiria	1.2
Kaluzhskiy Fish Reproduction Sturgeon Facility http://rus-osetr.ru/krok.html	Kaluga oblast	0.2

Source: AgriConsult Agency

Chart 4. Production Dynamics of Farmed Sturgeon Caviar in Russia in 2001-2012, MT



Source: "AgriConsult" based on Federal Statistics Service data

According to an industry specific program titled "Breeding of domesticated species of fish in the Russian Federation in 2011-2013, the most popular breeding species produced in domestic hatcheries are Siberian sturgeon, sterlet, and sturgeon hybrids (such as "bester sturgeon"-a hybrid of beluga and stellate). Production of Russian sturgeon and beluga is much smaller, and stellate is not reproduced in breeding hatcheries at all. Almost every type of fish farm, such as cage culture fisheries, pond and pool facilities as well as closed cycle water facilities, can be used for sturgeon breeding due to their high adaptability.

A number of large projects for sturgeon breeding are currently being developed. For example, trade sources report that one of the leading pork production facilities "Agro-Belogorye" located in Belgorod oblast is planning to build a sturgeon breeding facility. It is expected that by 2019, the new facility will produce 250 MT of sturgeon and 6 MT of caviar annually. Market players estimate total investments in the project to reach 1.2 million Euros. If the project is implemented "Agro-Belogorye" will become a leading sturgeon producer in Russia.

Regulatory Issues

Industry analyst representatives believe that recent adoption of the long-awaited "Federal Law on Aquaculture" (http://www.rg.ru/2013/07/05/akvakultura-dok.html) will stimulate further development of the sector and provide more transparency. The abundance of natural and artificial reservoirs throughout Russia offers a strong potential for developing hatcheries and fish farms. The new Law on Aquaculture aims at improvement of legislation in terms of developing fish breeding farms through the provision of land and water usage; preserving domestic marine biological resources; and processing value-added fish products on domestic coastal facilities. Researchers and specialists in aquaculture are hoping for

participating in developing supportive acts for the implementation of the Law so that it does not result in extra barriers for the industry.

Despite law enforcement measures at the federal level and restocking of the sturgeon population, the government still is not able to cope with large scale poaching. Many in the fishery community believe that government's investment for modernizing sturgeon hatcheries and stimulating aquaculture production are crucial in order to restore sturgeon production and trade in the sector.

Russian aquaculture sturgeon production lags behind Europe and many other countries. The major constraints to growth in farmed sturgeon production in Russia are:

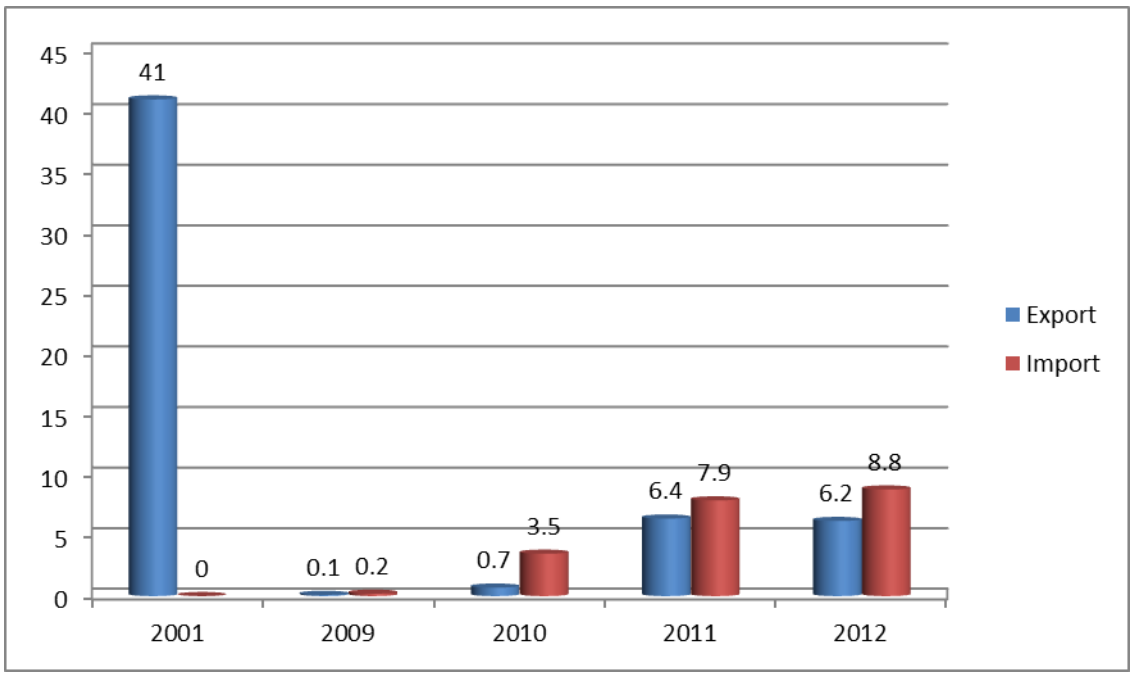
- Lack of viability of stocking material;
- High cost of balanced full ratio feeds for sturgeon;
- Lack of specialists in sturgeon breeding;
- Limited investments in the sector;
- Lack of federal support in terms of long term preferential loans, tax exemptions and subsidies for stocking material and feeds.

The other obstacle is the lack of agreement between Russia and the European Union on monitoring residue levels in aquaculture production which prevents Russian companies from exporting farmed sturgeon and caviar to the European Union.

Trade

Trade data for sturgeon and caviar is incomplete and difficult to quantify. During the Soviet Union, Russia was the largest exporter of caviar in the world, and in the 1990s exports equaled 2,000 MT. However, with increasing poaching and the rapid depletion of sturgeon stocks, by 2001 exports had collapsed to only 41 MT. According to the Russian Customs Statistics, exports of sturgeon caviar (HS 160431) from 2010 to 2012 averaged between 6-7 MT/year. Since commercial fishing of sturgeon is still restricted, Russia exports only farmed sturgeon caviar, and it also imports about 9 MT/year, primarily from Germany and Italy. In CY 2013, Russia imported 8 MT of caviar, including 1 MT from the United States. Russia shipped 7 MT of caviar exports in the same period, 1 MT less than in 2012. However, according to trade sources, annual consumption of black caviar in Russia is estimated at 200 MT, or 10 times more than total official imports plus domestic production.

Chart 5. Trade Dynamics in Black Caviar, 2001-2012, in MT



Source: "AgriConsult" based on Federal Statistics Service data